GOVERNMENT OF INDIA
COAL
LOK SABHA

UNSTARRED QUESTION NO:747
ANSWERED ON:22.10.2008
ROYALTY OF COAL
Ahir Shri Hansraj Gangaram

Will the Minister of COAL be pleased to state:

(a) whether the Government has taken a decision to revise the coal royalty rates;

(b) if so,the details thereof including the formula to be adopted to determine the royalty rates;

(c) the benefits likely to accrue to each of the States as a result thereof;

(d) whether the some coal producing States have approached the Union Government for increasing the royalty rates on coal;

(e) if so,the details thereof alongwith reaction of the Union Government thereto;and

(f) the time by which the revised rates are likely to be implemented?

Answer

MINISTER OF STATE FOR COAL (SHRI SANTOSH BAGRODIA)

(a) to (c): Yes,Sir.The Central Government have revised the rates of royalty on coal and lignite with effect from 01.08.2007.

The formula for royalty on coal and lignite is based on a combination of specific and advalorem levies.The formula stipulated is as under:

R (Royalty)=a+bp, where `a` is the fixed component, `b` is the variable or ad valorem component and `p` is the basic pithead price of Run of Mine Coal as per the invoice

The likely benefit to the coal producing State would be in terms of 24% to 29% increase in revenue earnings from royalty on coal and lignite respectively as calculated based on production levels of 2004-05.

(d) & (e): Most of the coal producing States had approached the Central Government for revision of rates on coal.Some of them had sought switch over to a fully ad valorem regime of royalty. Taking into account all the factors including the recommendation of the two Committees,namely,the Study Group set up by the Ministry of Coal and the Economic Advisory Council to the Prime Minister, as well as the views of the State Governments,the Central Government had decided to adopt the hybrid formula indicated in reply to part (b) above.

(f): Revised rates on coal and lignite have been implemented with effect from 01.08.2007.